



Treasury Inspector General for Tax Administration

ACCURACY OF VOLUNTEER TAX RETURNS IS IMPROVING, BUT PROCEDURES ARE OFTEN NOT FOLLOWED

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Highlights

Highlights of Report Number: 2007-40-137 to the Internal Revenue Service Commissioner for the Wage and Investment Division.

IMPACT ON TAXPAYERS

The Internal Revenue Service (IRS) Volunteer Program plays an increasingly important role in achieving the goal of improving taxpayer service and facilitating participation in the tax system. Although tax return preparation accuracy rates have been increasing, volunteers continue to not follow procedures. To ensure continued success, the IRS must focus its oversight on holding volunteers accountable.

WHY TIGTA DID THE AUDIT

This audit was a followup to prior TIGTA reviews to determine whether taxpayers receive quality service, including the accurate preparation of their income tax returns, when visiting IRS Volunteer Program sites. The Volunteer Program provides no-cost Federal tax return preparation and electronic filing (*e-filing*) directed toward underserved segments of individual taxpayers, including low- to moderate-income, elderly, disabled, and limited-English-proficient taxpayers.

This review included tax returns prepared at community-based Volunteer Income Tax Assistance sites and Tax Counseling for the Elderly sites sponsored by the American Association of Retired Persons. During the 2006 Filing Season, these sites were involved in the preparation of 1,735,231 tax returns with refunds totaling more than \$1.5 billion.

WHAT TIGTA FOUND

Accuracy rates for tax returns continue to increase. Improvements have been made to the oversight of the Volunteer Program. However, to ensure continued success, the IRS must focus its oversight on holding accountable volunteers who do not follow required procedures. Of the 39 tax returns prepared for the 2007 Filing Season, 17 (44 percent) were prepared incorrectly. Since the 2004 Filing Season, TIGTA has

reported that volunteers are not following required procedures. Volunteers again did not consistently use intake sheets and did not perform the required interview. Also, the sites either did not always have a quality review process or did not have a quality review process that always included required elements.

Although steps are being taken to protect taxpayer information, encryption software was not included on all computers. Two (33 percent) of the 6 sites visited that retained prior year electronically filed (*e-filed*) tax information did not have encryption software loaded. Also, 1 (17 percent) of the 6 sites that retained prior year tax information did not provide taxpayers with the required notification that this information was being retained.

WHAT TIGTA RECOMMENDED

TIGTA recommended the IRS (1) require all Volunteer Program sites to use the IRS-developed Intake and Interview Sheet (Form 13614); (2) provide training to site coordinators, focusing on the specific responsibilities for ensuring volunteer compliance with established requirements; (3) strengthen the policy on actions to be taken when a site is not in compliance with requirements; and (4) ensure taxpayers receive required notification if prior year tax information is maintained and encryption software is loaded on all computers on which prior year *e-filed* tax information is retained.

In their response to the report, IRS management agreed with two of the four recommendations. For Fiscal Year 2008, the IRS plans to develop a consistent plan and process for volunteer site coordinator training; strengthen policies to address the consequences for noncompliant sites; and use electronic tax preparation software that will encrypt all current and prior year *e-filed* data.

Management did not agree with requiring use of the Form 13614. TIGTA has repeatedly reported that sites are not including all required questions. In response to our last report, the IRS had developed a process to ensure intake sheets contained all required questions. This process failed. In addition, management stated that requirements for taxpayer notification are sufficiently addressed in *Privacy and Confidentiality-A Public Trust* (Publication 4299). TIGTA did not take exception to the requirements but reported requirements were not always being followed (required notification not always provided to taxpayers).

READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response, go to:

<http://www.treas.gov/tigta/auditreports/2007reports/200740137fr.pdf>.

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